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THE ECONOMIC SITUATION IN THE ORIENT

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AMERICA'S material interests in the Far East are already considerable, and they are growing apace, but she has other interests there which far outweigh the material ones. The topic for general discussion here has to do with America's foreign trade, and I have been asked to speak of that trade with the Far East. Alluding first to Japan, I would point out to you that ten years ago our total trade with that country was \$88,358,071. In the year ending June 30, 1920, that same trade had grown to the proportions of \$980,367,930. Of Japan's total export and import trade, approximately 40 per cent is now with the United States of America. In the year 1919 over 95 per cent of Japan's valuable trade in silk was with us.

If we are looking to increase our prestige and our trade in foreign markets, we must study the characteristics of these people with whom we hope to trade. We must study very especially their points of view; and now perhaps of all times it is the most important thing for us to study the viewpoints of these Eastern peoples, because they have a very distinct individuality of their own. Suppose we look at Japan first of all: Japan came out from her feudalism fifty years ago, and of all the nations upon the earth, in the half century that has elapsed, Japan has made the most gigantic strides in a material way. Yet when we go to Japan and when we talk with the Japanese and when they point out their own needs to us, we realize that Japan has a far road to travel yet and we realize that America can help her travel on that way.

Japan is a land which, despite its wonderful picturesqueness, the cleverness of its people, their beautiful artisanship and artistic instincts, is yet greatly undeveloped. The Japanese are exceedingly anxious to develop their country. They realize that now their roads are very bad. Japan would like to have American capital to assist her in building a system of

good roads, in constructing interurban trolley lines. She wants both American capital and American material. The same holds true when it comes to the upbuilding of her factory and industrial system. The future of Japan economically depends upon her development of industry and manufacture. Agriculturally her development is restricted; less than 15 per cent of her land being under cultivation, the balance of her territory being rocky and mountainous. Therefore, Japan must become a strong industrial nation and one exporting manufactured goods. To reach that point of attainment she greatly desires American capital, materials and cooperation.

The Japanese look to us to assist them in becoming an industrial nation, and in ways legitimate to us and in no way harmful to our own interests we can help in that respect. One Japanese capitalist said to me that they wanted our cooperation in sending machinery there, in sending capital there, in developing the great water powers of Japan, by reason of the fact that Japan is so lacking in coal at the present time. What, then, is the attitude of America as an investor in Japan at the present time? I ask that question very especially, because today there is a Japanese question that is confronting us and here in America, after returning from the Far East, I find almost all my countrymen either strongly "pro-Jap" or strongly "anti-Jap". As I said to the men of affairs in Japan, "You cannot expect at the present any great amount of capital to flow from America to Japan, not for the reason that the whole world is short of capital for the moment (although that is true), but because there are certain tendencies in the Japanese national life that, to our minds, must be headed in a little different way if we are to feel free to cooperate in Japan with you on a grand scale."

Japanese themselves, that is to say, the Japanese liberal element, were the first to point out to me, a cleavage between that liberal element on the one hand that wants to move forward along the same lines that America is moving, and the so-called Military Party on the other hand, that goes back to the time when Japan was a feudal nation and that still believes that Japan's only way to make herself secure and to make progress is to maintain a very large army and a very large navy and to make expeditions into Siberia, or perhaps

to other points on the coast of Asia. As I said to the Japanese, and as I believe every business man in America will agree, "Not until that tendency (toward imperialism, so-called) in Japan has been somewhat changed shall we see a change in the attitude on the part of our American investors."

We all have heard a good deal about the military party in Japan, and we ought to study its situation, to try to see its "pros" and "cons". You are aware perhaps that the Japanese constitution provides that when the premier of Japan picks a new cabinet, and when he comes to naming the Minister of War and the Minister of the Navy, he is compelled to choose certain nominees of the general staffs of the army and of the navy. So that, without the consent of the general staffs of those two military arms of the service, the premier may at times be almost unable to name a cabinet. Then in 1913 you remember that the Katsura ministry passed another law which permitted the Minister of War and the Minister of the Navy to take certain steps which they deemed necessary for the national defence without even informing the premier or the cabinet. Those are the two laws which the Japanese liberals—and there are thousands of them and they are growing in number and influence—talked to me about, as being a handicap to Japan's progress along the lines of liberalism.

This California question is a part of our whole relation with Japan that is important, in itself, but not so important as other features of our relations with Japan, namely those relations in the Far East themselves. Japan herself realizes perfectly well that as time goes on the United States will probably bar out the Japanese entirely from immigration here; that there will be abolished the picture-bride agreement and the adopted-son agreement; and Japan, as I take it, does not object: she bars Chinese labor from her own shores. But she wants us to study the question with her, to sit down with her and to arrive at a basis of agreement with her without slapping her in the face. That is the one important point about our relations with Japan today. We have not as yet, with all due respect for our fellow countrymen in the far west, learned to deal with the most gracious and the most courtly nation in the world—the Japanese; we have not learned to treat them politely.

While we are right on that point, I know that some of our people have been aghast when they have read in the papers that in Japan fifty per cent of the public revenue is devoted to the military and to the naval forces of that country. Yet remember that is following a great war, and we have nothing to say when we note that of our own estimated revenue this year for the federal Treasury at Washington, if we include the service upon our war debt and also pensions, eighty per cent of our total federal revenue is devoted to war purposes. In other words, when we read these statements about Japan that are rather startling in their way, we must take them with a grain of salt and compare them with the situation existing in our own country today. Then when we realize that the situation with us is abnormal, perhaps we shall realize that the situation over there in Japan is also somewhat abnormal. But in any event my plea for Japan is to study her situation with a calm and dispassionate mind and without the rancor that might possibly lead to real trouble.

Next, take Siberia. That indeed is a region that it will repay our American manufacturers to study and to cultivate. To be sure, at the present time it is under the sway of the soviet government. But in Siberia sovietism is not of the red type that it has been in Moscow; but is a sober, rather restrained movement. Today it would appear perfectly possible for Americans to trade safely in Siberia.

We all know of John F. Stevens, the eminent American railway engineer. We know the fine piece of war work he accomplished in Siberia and along the line of the Chinese Eastern Railway, a work conducted with altruistic motive for the essential benefit of the people of Russia and of the Allies. I met him at Mukden in Manchuria on my way out of China last May. What he said to me was this:

Mr. Lamont, I have come down from Harbin, a journey of 700 miles here and return, just to spend an hour with you and give you a message to the business men of the United States. That message is that they must never rest content until in Siberia the door of opportunity is surely kept open, so as to give free and equal trade opportunity to America and to all the other nations; so as to assist in the development of that wonderful region.

He, who had been working in that region steadily for three years, described to me in sober, restrained language its great

resources as an agricultural, a timber and a mining region. "Siberia", he said, "is one of the grand granaries of the world." It has for export great quantities of wheat; hundreds of carloads of hides were waiting means for export, Stevens said. The forests are of immense variety and value. With exportable products that can be made available on such a grand scale, it is manifest that, in order to produce those commodities, the very things that Siberia requires are best made in America—harvesting machinery, mowers, reapers, tractors—and then more tractors.

And last we come to China. That, of course, offers the greatest single opportunity for American trade in the Far East. There, we have a chance of doing business, not with the fifty-seven million people which form Japan's population, or the thirteen million that make up Siberia's, but with four hundred million. Our total trade with China ten years ago was a trifle over \$55,000,000. Last year it was over \$371,000,000, but even with that growth of China's total trade the United States had only 16½ per cent of it. Here is ample room for growth. I want to repeat here what I said a short time ago to a meeting of American export organizations:

I never imagined—until I went out there—a region calling for the products of American industry so strongly as China will call in the next twenty years. A great system of railways must be built over there, and its inception should not be long delayed. Those railways will require a fair share of American steel, of American bridges, American equipment. The country calls for electrical equipment—for all the multitudinous forms of farming implements required in that intensely agricultural land, now cultivated with the rude implements of the long ago. China will demand cotton-mill machinery on a great scale, and machine-making tools. Then it will require quantities of mining machinery both for the baser and the precious metals. Finally, those four hundred millions of kindly, honest and highly intelligent people will require, on a prodigious scale, the many domestic appurtenances that American ingenuity has evolved.

There is no reason why our proportion of China's trade should not be doubled and trebled, especially if you consider the fact that the Chinese people as a whole are most anxious to deal with America. The life of the Chinese has been marked for thousands of years by intense industry, by frugality, by intelligence and by love of peace. Now, as to material development, they are awakening from the slumber of ages, and are

coming into their own. Now national feeling is arising; there is developing day by day national pride in Chinese achievement. Now, despite a central government lacking in organization and strength, the Chinese people are marching day by day to greater steadiness, orderliness and prosperity. They have enormous dynamic force. When we consider how, until nine years ago, they were ruled under an absolute monarchy; when we consider how archaic were their conditions of government, then, indeed, we must be amazed, not because their present government is imperfect, but because the new republic has advanced as far as it has in stability and in administration. We read of disorganized conditions in China, and yet when we are there we feel that it is the safest place in the world. In Peking an American woman can take a rickshaw and jog through the native city, long after midnight, unescorted, alone and yet unafraid. I should feel her much safer there than on the east side of New York City.

But China has great material handicaps. What are the chief ones? First, last and all the time, her lack of communications. China, larger than the United States, has less than seven thousand miles of railways to our 250,000 miles. Last year in the City of Hankow, sometimes called the Chicago of China, wheat sold at \$2.00 a bushel, but in Szechuan Province, a few hundred miles to the west, it could be had for 10c. a bushel. The enormous differential was one due almost wholly to lack of transport. That same lack is in a considerable measure responsible for the terrible famine today existing in certain populous provinces of China. When the crops in those regions fail, there is no way of transporting swiftly and in quantity grain for the succor of the starving people. Another factor bringing about these periodical famines is the lack of forests, which means alternating freshets and droughts, lack of proper irrigation and frequent crop failures. China, more than any other country in the world, needs a system of reforestation to build up her water sheds, to restore her water courses and bring back to full productivity at all times that wonderful soil.

Due to the great need of assisting China in the development of her public enterprises, such as the building of railways and currency reform, the international consortium was organized. Banking groups in the United States, Great Britain, France

and Japan were formed at the request of their respective governments; the principle of their organization being to render upon fair and equitable terms genuine assistance to China. The organization of this consortium in the four countries named has of course been attended with many delays and handicaps. It was for the purpose of overcoming some of these that I visited the Far East last winter. The Japanese banking group had, under the instructions of its government, filed reservations holding out from the consortium partnership, certain portions of the provinces of Manchuria and Mongolia. These reservations, of course, were not agreeable to the other banking groups. We felt that, in a partnership that was based on a free and full interchange, it would not be fair for any one partner to reserve certain regions to itself. What was of even more consequence, the American, British and French governments could not consent to this claim that was set up by the Japanese government. The attitude that our State Department, and that the British and French Foreign Offices took, was that any claim like that, if allowed to rest, was tantamount to the granting of special privilege in Asia for some one country and it could not be tolerated. So after long diplomatic exchange, which resulted in no wise favorably, I was asked to go to the Far East and to sit down with the Japanese and try to explain the situation to them; endeavor to arrange it so that they would come into this consortium for the assistance of China and upon the same basis as the rest of us.

It was a long and intricate negotiation, and its difficulty was in part due to this very cleavage that I have spoken of that exists in the body politic in Japan itself. It was a most interesting negotiation, and we finally won out, because the Americans and the British and the French stood so closely together. We never could have succeeded in that negotiation if the three governments had not stood together. They did not stand together in opposing Japan; they stood together in trying to make Japan understand the exact situation, in trying to make clear to Japan that we were not for instance aiming to set up any advantages in Manchuria and Mongolia for ourselves. In that endeavor we finally succeeded so that now with the consortium finally organized, we have a partnership existing among the groups of America and France and Great Britain

and Japan, and we believe that Japan will play that partnership in the same good faith that the others play it. You will find plenty of people both here and in China saying to us that the Japanese will not play fair. Up to date the Japanese *have* played fair and we believe that they *will* play fair.

Now the consortium has been finally organized and is ready to offer its aid to China in her development. It is for China to say whether she welcomes such aid or not. If she fails to do so, we shall have discharged our duty. Despite much misrepresentation, which has been made as to the purpose of the consortium (misrepresentation which has been carried on throughout China), I am confident that the final expression of the Chinese people will be the same as it was made to me when I was there, and that it will ardently welcome the co-operation of the international groups forming the consortium.

If, then, the consortium finally functions, we shall see in the Far East the principle of international cooperation substituted for that of international competition. There will no longer be that international race for privilege and concession which resulted in setting up the baneful spheres of influence in China, but there will be a getting together upon the part of the representatives of the four nations in helping China. Is it too much to hope that in that vast region of the Far East we shall see a little League of Nations, working together to maintain the peace of the Far East and in this way to contribute so much to the maintenance of peace in the whole world?

Is it too much to hope that the American people, to whom the Chinese people look so ardently for counsel, for friendship and for help, shall respond and shall, in the years to come, show a strong and helpful influence in the solution of the Far East problem?